

Internal Revenue Service

District  
Director

Department of the Treasury

Employer Identification Number: [REDACTED]

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to:

Internal Revenue Service  
[REDACTED]

**CERTIFIED**  
[REDACTED]

Date: JUN 23 1994

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501 (c)(6) of the Internal Revenue Code of 1986.

The information submitted discloses that your association was formed in [REDACTED] of [REDACTED] in the State of [REDACTED].

According to your application and supportive documents, you were formed for the following purposes:

1. Exchange of ideas, information, experience and concepts as related to the [REDACTED] family of telephone systems, locally and internationally.
2. To relate to the manufacturer ([REDACTED]) any common problems, concerns and/or ideas by the membership of the Association.
3. Sharing of resources, locally and nationally, relating to the telephone environment between users.
4. Establish ongoing channel of communication between the manufacturer ([REDACTED]), national and other local associations.
5. To participate in activities of [REDACTED]  
[REDACTED]

You conduct eight membership meetings a year in which members exchange ideas and information related to [REDACTED] systems. Also, you provide workshops, seminars, newsletter, a library and an informational "Hot-Line" for members.

[REDACTED]  
6-21-94

[REDACTED]  
6-21-94

Membership is open to "End User Organization" who have installed or have committed to install any member of the [REDACTED] family of telephone equipment. According to your bylaws, "Regular membership in the Association shall automatically terminate if a member is no longer a [REDACTED] User." Membership dues are your only source of financial support.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF Trade. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income." See sections 511 to 515, inclusive and the regulations thereunder.

Revenue ruling 83-164, 1983-2 C.B. 95, holds that an organization whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer does not qualify for exemption from Federal income tax as a business league under Section 501(c)(6) of the Code.

In Guide International Corporation v. United States, No. 90-2441 (7th Cir. Nov. 21, 1991) aff'g No. 89-C2345 (N.D. ILL. 1990), the Appeals Court affirmed that opinion of the District Court, which held that an organization whose

[REDACTED]

membership is restricted to organization who own computer equipment manufactured by one company, fails to qualify for exemption from Federal income tax under Section 501(c)(6) of the Code.

Your organization is similar to the organization described in the revenue ruling and the court case in that you represent businesses which own telephone equipment produced by a single telephone systems, [REDACTED]. Because your activities are limited to the user of [REDACTED] systems, you are not directed towards the improvement of business conditions in one or more lines of business within the meaning of Section 1.501(c)(6)-1 of the regulations. You are promoting a segment of an industry, which your members belong, at the expense of others in the industry.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission.

A Conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

[REDACTED]

You are required to file Federal Income Tax Returns.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

Enclosures:  
Publication 892  
Form 6018